

7. PROPOSED AMENDMENTS TO COUNCIL FEES AND CHARGES



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| General Manager responsible: | General Manager Corporate Services, DDI 941-8540 |
| Officer responsible: | Funds & Financial Policy Manager |
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PURPOSE OF REPORT

1. This purpose of this report is to seek Council approval of the fees and charges to be made by the Council under Section 12 of the Local Government Act 2002 as attached in Appendix A.
2. The Council has already approved, for consultation with the public, a schedule of fees at its meeting on 30 March 2006, but held over for later consideration that portion of the fees schedule set under Section 12 (requiring only an ordinary Council approval), pending further consideration of the impact on Banks Peninsula.

EXECUTIVE SUMMARY

3. The Council, at its meeting on 30 March 2006, passed the following resolution:

“14. PROPOSED AMENDMENTS TO COUNCIL FEES AND CHARGES

It was **resolved** that:

- (a) **The schedule of fees listed in Appendix A, set by the Council under Section 12 of the Local Government Act 2002, be deferred, to enable a further review of any equity issues to take place.**
 - (b) *The fees, included in Appendix B, the Statement of Proposal, and Summary of Information be approved in draft and that these be released for consultation, including:*
 - (i) *Statement of Proposal, including Appendix B, the fees schedule Summary of the Statement of proposal*
 - (c) *The Council consider the submissions from the public in relation to Appendix B fees at the same time as the LTCCP submissions and that the fees scheduled together with any changes arising from the submissions, be adopted at a Council meeting in June 2006 (or later).*
 - (d) *Delegated authority be granted to the relevant General Manager to:*
 - (i) *Set the prices for all retail sales items;*
 - (ii) *Determine the charge where the charge is for actual cost recovery;*
 - (iii) *Set prices for hire of venues and equipment where these are not scheduled;*
 - (iv) *Set prices for recreation programmes and events tailored to the customer needs; and*
 - (v) *Adjust limits, if any, as noted for each charge in the schedule (Appendix A);*
 - (vi) *Remit any charge, where in the opinion of a General Manager, they consider it is fair to do so subject to:*
 - *Where the intention to apply delegated authority is noted on the schedule (Appendix A) (other than for retail prices) the delegation being restricted to that charge type.*
 - *Where reference is made to actual costs recovered, this is to include any normal internally generated costs.*
 - *Remission of charges not being granted to a class of applicant (e.g. charities generally) as this should be taken into account in setting the scale of fees.”*
4. The fees previously listed in the attached schedule, Appendix A, are now brought back to the Council for approval. Included are some amendments now proposed, specifically:
 - the Banks Peninsula recreation charges for 2006/07, are now based on the Banks Peninsula 2005/06 Annual Plan, rather than the standard city wide charges
 - rationalisation of the city wide library charges
 - restructuring the city wide basic hall charges.

5. The full list of Council charges now includes:
 - This list, as recommended for approval
 - The charges currently under the public consultation process, yet to be finally confirmed, and
 - The new proposed dog control charges.

In the past only the fees which are changed are resolved on each year. This has caused uncertainty and it has been difficult to determine the current price list for all service charges.

6. The changes to the fees in this report reflect inflation adjustments, or market prices and align with:

- Revenue & Financing Policy considerations; and
- Service delivery policies or activity management plans as contained in the Draft LTCCP.

7. Excluded from this list of fees and charges are:

- Fees set by the special consultative procedure, as they are already under consideration;
- Rates, as they are set by the LTCCP process;
- Development contributions, as they are set by the Development Contributions Policy within the LTCCP;
- Financial contributions and resource consent works and services conditions, where they are charges as a result of work done for a subdivision;
- Rents, commissions and recoveries under a lease, rent agreement, or licence to occupy as these are set by negotiation with the tenant or by Council resolution;
- Cost recoveries by Council under contract provisions;
- Fees, charges and taxes set by other entities, such as the Government, where the Council is a collecting agent. In most cases the Council may retain all or part of the charge; and
- The specific charge for any cost recovery fee as these are not known until the transaction takes place.

8. The fees and charges apply to the whole city, except where it is noted that special rates apply for Banks Peninsula. Amendments to fees generally commence on 1 July 2006, although some fees are noted to commence later.

9. It remains for the Council to consider and adopt these fees now, by ordinary resolution. Further, the Council will consider those fees under the special consultative procedure as reported in the 30 March report, following hearing of any submissions. The revenue budgeted from fees (and increases) is already included within the draft LTCCP figures. The Council needs to give effect to the charges by authorising the charges or any amendments.

10. In addition to adopting the fees, the Council has already granted delegated authority to General Managers to:

- Set the prices for all retail sales items, as these are impractical to detail and are subject to periodic change;
- Determine the charge where the charge is for actual cost recovery;
- Set prices for hire of venues and equipment where not included in the fees schedule;
- Set prices for recreation programmes and events tailored to the customer needs; and,
- In the case of charges for pools, set prices where the increase is within the inflation adjustment limits, if any, set for each charge

11. The delegated authority granted provides the staff with limited authority to resolve fees where prices are fluctuating or the basis is cost recovery.

FINANCIAL CONSIDERATIONS

12. This schedule of charges gives effect to the revenue budgeted in the LTCCP. As inflation is built into the revenue budgets the fees need to be adjusted annually to ensure the revenue is achieved. Should a change to this schedule be made by the Council, or following a public submission, it may give rise to a consequential change to the draft LTCCP. The consideration of submissions made in respect of fees and charges should be made at the same time as submissions on the LTCCP are considered.
13. Most of the charges are set under Section 12 of the Local Government Act 2002, the general power clause. Where the charges are set under a Council Bylaw or under an Act where the authority to set fees is not specific, a special consultative procedure is required under Section 150. The latter schedule is still under consideration.

STAFF RECOMMENDATION

It is recommended that the schedule of fees, set by the Council under Section 12 of the Local Government Act 2002, be adopted.

BACKGROUND ON PROPOSED AMENDMENTS TO COUNCIL FEES AND CHARGES

14. The Council may set fees and charges for services to the public. The statutory authority for setting the fees listed in this report is Section 12 of the Local Government Act 2002. Fees set under Bylaws or other empowering Act such as the Building Act or Resource Management Act, are set under Section 150 of the Local Government Act 2002 and are already under consideration to be confirmed in June 2006 under a separate report.
15. This report aims to both set the fees for the next year and put in place a process for fee review under delegated authority for some fees, where practicable, and for those noted on the attached schedule, Appendix A.
16. It is proposed that the fees be reviewed at least annually by a single process. Further, it is intended that the fees subject to consultation be confirmed in June 2006 at the same meeting as the LTCCP adoption.
17. It is intended that the total fee schedule be permanently included on the Council website as a single source of current fee information. In the past only the changes were recorded in the Annual Plan (& LTCCP) and only some fees were included in the web pages for some Council activities. This led to inconsistent treatment of fees.
18. Two exceptions to this process are noted:
 1. Dog and animal control fees:

There is a significant review of charges following the proposed micro chipping, the National Dog Database (NDD) and incorporating all the BPDC dogs.
Animal Control/Dogs fees will be adopted separately under the Dog Control Act as part of a separate report to go to Council.
 2. Housing rentals – this has been the subject of a separate report to a recent Council meeting.
19. Some fees, charges and taxes are excluded from this process as they are set by other entities and processes. Where applicable, they are collected by the Council and are included in the revenues of the council as shown in the LTCCP.

Fee Setting

20. The fees as set out in the schedule Appendix A are recommended for adoption by the Council. Generally they will apply from 1 July 2006. However some apply from later dates as this is the seasonal use attributes and notice requirements. The level of fees is that recommended by the responsible Unit Manager within the context of the Activity Management Plans and has not been determined by Corporate Finance.
21. The fee changes recommended range from circumstances where the fee is cancelled, to restructuring the service charge, through to continuing the current charge, to substantial review of the charge in line with the level of the proposed property rate increase.
22. In setting fees, the Council must have regard to Revenue and Financing Policy issues:
 - the costs to produce the service;
 - the direct benefit portion of those costs – this sets the maximum revenue to be targeted;
 - any pricing policy issues such as:
 - customer demand, and how price will influence this,
 - price as a barrier to access to the service by the customers,
 - the underlying service objective – for example, irrespective of the cost, the Council may have determined that the service should be free to customers etc, or alternatively should be fully user pays,
 - legal or audit guidelines on the maximum charge that is appropriate.

23. The former issues are covered under the Revenue and Finance Policy in the adopted Draft LTCCP. For fees generally, the Council has followed the cost recovery concepts as set under section 150 (although not binding on Council for fees under Section 12):

“The fees prescribed under subsection (1) must not provide for the local authority to recover more than the reasonable costs incurred by the local authority for the matter for which the fee is charged.”

24. This constraint is summarised in the extract from a recent Audit Office report on local government regulatory services (but relevant to all fees):

“The pricing structure adopted should be clear, and consistent with the local authority’s strategic objectives for service delivery, its fee structure and its charging policy, and must comply with all the relevant legislation regarding local authority fees.”

and

“Given the monopolistic nature of regulatory functions, controls are needed to prevent unreasonable price charging. The manner for pricing different components should be designed to ensure that the interests of the community and other stakeholders are protected.”

In addition, 36(4) of the Resource Management Act requires:

*“When fixing charges referred to in this section, a local authority **shall have regard to the following criteria:***

- (a) the sole purpose of a charge is to recover the reasonable costs incurred by the local authority in respect of the activity to which the charge relates:*
- (b) a particular person or persons should only be required to pay a charge-*
 - (i) to the extent that the benefit of the local authority’s actions to which the charge relates is obtained by those persons as distinct from the community of the local authority as a whole; or*
 - (ii) where the need for the local authority’s actions to which the charge relates is occasioned by the actions of those persons; or*
 - (iii) in a case where the charge is in respect of the local authority’s monitoring functions under section 35(2)(a) (which relates to monitoring the state of the whole or part of the environment), to the extent that the monitoring relates to the likely effects on the environment of those persons’ activities, or to the extent that the likely benefit to those persons of the monitoring exceeds the likely benefit of the monitoring to the community of the local authority as a whole, -
and the local authority may fix different charges for different costs it incurs in the performance of its various functions, powers, and duties under this Act-*
- (c) in relation to different areas or different classes of applicant, consent holder, requiring authority, or heritage protection authority; or*
- (d) where any activity undertaken by the persons liable to pay any charge reduces the cost to the local authority of carrying out any of its functions, powers, and duties.”*

The attached fee schedule includes these requirements.

Options Considered

25. The Council may consider alternative fees to those recommended. Any significant change will impact on the revenue budget in the draft LTCCP. The consequential adjustments and impact on rates revenue should be made under the LTCCP.
26. The Council may reserve more fee setting to itself rather than delegate. The outcome will be more detailed reports and in the case of retail prices, delays which impact on trading levels. There is a practical level of delegation for fee setting that balances the community’s interests and the ratepayers’ interests and the implementation of the Activity Management Plans. The delegations already approved and those proposed in the attached schedule meet this balance.